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Message Text

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20
ORIGIN ARA-10

INFO OCT-01 ISO-00 OES-03 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-02 H-01 NSC-05 SS-15

STR-01 CEA-01 /075 R

DRAFTED BY ARA/AP :RCFELDER:JC
APPROVED BY ARA/APU:FVORTIZ
---------- 007238
R 130208Z FEB 75
FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L STATE 032941

E.O. 11652: GDS

TAGS: EINV, AR

SUBJECT: PROBLEMS OF ITT ARGENTINE SUBSIDIARY CSEA
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REF: B.A. 969

1. IN LINE WITH SUGGESTION REFTEL DEPARTMENT (APU) TELEPHONED ITT NEW YORK (GUILFOYLE) FEBRUARY 12. GUILFOYLE DID NOT HAVE TEXT OF DECREES 259 AND 260 BEFORE HIM DURING CONVERSATION SO DISCUSSION WAS NOT AS PINPOINTED AS IT MIGHT OTHERWISE HAVE BEEN. HE OBSERVED THAT DECREES HAD NOT YET BEEN PUBLISHED AND WERE THEREFORE NOT YET OFFICIAL.

2. ITT IS SERIOUSLY CONCERNED ABOUT POLITICAL OVERTONES OF DECREES WHICH SUGGEST PROBLEM MAY NOT BE SETTLED ON A NORMAL, BUSINESS-LIKE BASIS, AND ABOUT IMPLICIT ENDORSEMENT IN DECREES OF PUNITIVE MEASURES AGAINST COMPANY. IT IS DISTURBED BY MENTION IN ONE OF DECREES OF GOA SURVEILLANCE OF COMPANY'S FIXED ASSETS AND REAL ESTATE INVESTMENTS - AN CONFIDENTIAL

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APPARENT REFERENCE TO SHERATON HOTEL IN WHICH ITT VALUES ITS

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EQUITY AT 45 MILLION DOLLARS. ACCORDING TO GUILFOYLE, HOWEVER, MOST IMMEDIATE PROBLEM IS PRESENTED BY CONTRA-DICTION BETWEEN CLAUSE OF DECREE WHICH ANNULS CSEA CONTRACT WITH ENTEL ON RETROACTIVE BASIS, AND THAT WHICH SPECIFIES

THAT RYTHM OF WORK IS TO BE MAINTAINED. CSEA CANNOT KEEP 2300 WORKERS ON PAYROLL WITH ALMOST NO WORK, GUILFOYLE SAID, YET IF SUBSTANTIAL LAYOFFS ARE MADE COMPANY FEARS FORMAL INTERVENTION BY GOA. HE ADDED THAT WORK FORCE, NOW ON VACATION, WITH SOME DUE BACK FEBRUARY 17 AND BULK TO RETURN ON MARCH 3.

3. CSEA HAS MEETING SCHEDULED FOR FEBRUARY 12 IN BUENOS AIRES WITH SECRETARY OF COMMUNICATIONS AT WHICH TIME IT WILL SEEK CLARIFICATION OF DECREES AND GOA INTENTIONS.

4. IN RESPONSE TO OUR QUESTION, GUILFOYLE OBSERVED THAT COMPANY ONLY WANTS USG ASSISTANCE IN GETTING TO NEGOTIAT-ING TABLE. ONCE AT TABLE, HE SAID, THE COMPANY COULD FEND FOR ITSELF. HE SUGGESTED THAT AMBASSADOR HILL COULD BE HELPFUL IN TWO WAYS AT THIS TIME: 1) BY EXPLAINING TO APPROPRIATE GOA OFFICIALS THAT DECREES SUCH AS 259 AND 260 GIVE MAJOR CONCERN TO U.S. BUSINESS IN GENERAL AND ADVERSELY AFFECT OVERALL FOREIGN INVESTMENT CLIMATE; AND, 2) BY INVESTIGATING POSSIBILITY OF MAKING COMBINED APPROACH WITH GERMAN AND SWISS AMBASSADORS (REPRESENTING OTHER COMPANIES AFFECTED BY DECREES).

5. COMMENT. WE HAVE NOT YET SEEN THESE DECREES, AND HENCE ARE IN DIFFICULT POSITION TO EVALUATE ITT CONCERNS. NONETHELESS, WE WOULD APPRECIATE YOUR REACTION TO GUILFOYLE'S SUGGESTIONS. INGERSOLL

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To: BUENOS AIRES
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